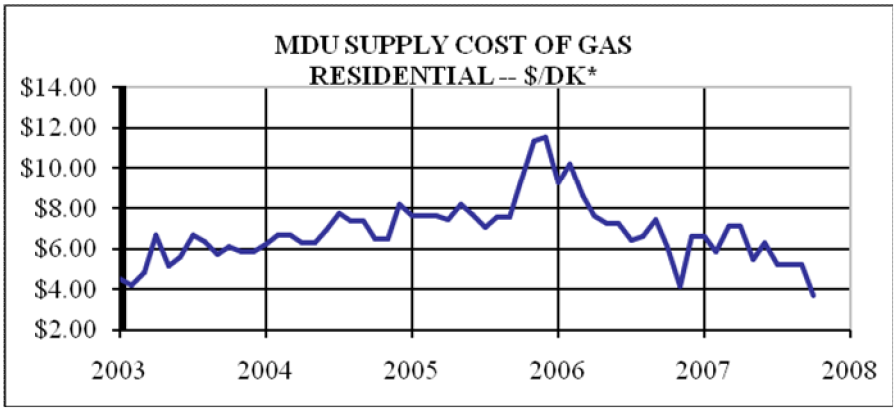
NORTH DAKOTA PUBLIC SERVICE COMMISSION
September 19, 2007

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. **PU-07-652**
Filed 09/10/2007
October 2007
Cost of Gas Adjustment-Natural Gas

SUMMARY OF PROPOSAL:

MDU is decreasing its Cost of Gas charge by $1.516 per dekatherm (dk) compared to last month. This Cost of Gas charge will be applied to natural gas bills issued during October 2007. The adjustment changes the Cost of Gas charge from $5.209 per dk to $3.693 per dk.

For residential consumption of 7.0 dk (representative of October), the cost of gas in the bill will be approximately $10.61 lower than last month and $17.07 lower than October 2006. MDU served 88,272 natural gas customers in North Dakota as of August 31, 2007.



The cost of gas change is due to:

- $1.150 per dk decrease in the commodity cost of gas.
- $0.040 per dk increase in pipeline rates.
- $0.344 per dk decrease in the annual over/under recovery surcharge.
- $0.002 per dk decrease in the margin sharing provision.
- $0.060 per dk decrease in prepaid commodity and storage balance provision.

The change in the commodity cost of gas is attributed to regional transportation capacity constraints partially due to scheduled maintenance projects. Volumes of natural gas in storage remain well above the five year average.

For MDU, the Cost of Gas for the month is locked in by contract on the 1st or 2nd business day of the preceding month based on the Rocky Mountain CIG (Colorado Interstate Gas Company) Index.

The Rocky Mountain CIG Index is based on a price discovery survey by several natural gas periodicals, such as the ñInside FERC Gas Marketòreport and ñGas

Dailyòby McGraw Hill, or prices paid by willing sellers and buyers of quantities of gas in that region. The monthly price for the Rocky Mountain CIG Index is indicative of a majority of the supplies Montana-Dakota purchases for its requirements.

The Department of Energyôs (DOE) Energy Information Administration (EIA) provides various publications on energy issues. The information is available on the EIA website: http://www.eia.doe.gov.